

CHIPPEWA TOWNSHIP

GENERAL PURPOSE FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Chippewa Township</u>	County <u>Chippewa</u>
Audit Date <u>March 31, 2004</u>	Opinion Date <u>August 30, 2004</u>	Date Accountant Report Submitted to State: <u>Oct. 11, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on the financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ yes ☐ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>Anderson Tackman & Co PLC</u>			
Street Address <u>16978 S. Riley Ave</u>	City <u>Kincheloe</u>	State <u>MI</u>	ZIP <u>49788</u>
Accountant Signature <u>Jim Bourchey, CPA</u>			

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
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DEANNA J. MAYER, CPA

MEMBER AICPA
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Chippewa Township
Chippewa County, Michigan

We have audited the accompanying general purpose financial statements (cash basis) of Chippewa Township Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Chippewa Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note B, Chippewa Township prepares its general purpose financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As described more fully in Note B, the general purpose financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with modified cash basis of accounting. The amounts that should be recorded in the general fixed asset account group are not known.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Chippewa Township, at March 31, 2004, and the results of its operations for the year then ended in conformity on the basis of accounting described in Note B.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Chippewa Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Anderson Tackman & Co PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 30, 2004

CHIPPEWA TOWNSHIP

**STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
ALL FUND TYPES (CASH BASIS)**

For the Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust & Agency</u>	
ASSETS:				
Cash and Cash equivalents	<u>\$ 52,093</u>	<u>\$ 20,122</u>	<u>\$ 2,212</u>	<u>\$ 74,427</u>
LIABILITIES:				
Due to other governmental units	<u>-</u>	<u>-</u>	<u>2,212</u>	<u>2,212</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,212</u>	<u>\$ 2,212</u>
FUND EQUITY:				
Fund balance –				
Undesignated	<u>\$ 52,093</u>	<u>\$ 20,122</u>	<u>\$ -</u>	<u>\$ 72,215</u>
TOTAL FUND EQUITY	<u>\$ 52,093</u>	<u>\$ 20,122</u>	<u>\$ -</u>	<u>\$ 72,215</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 52,093</u>	<u>\$ 20,122</u>	<u>\$ 2,212</u>	<u>\$ 74,427</u>

The notes to the financial statements are an integral part of this statement.

CHIPPEWA TOWNSHIP

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES (CASH BASIS)**

For the Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
REVENUES:			
Taxes	\$ 12,976	\$ -	\$ 12,976
Federal Sources	16,649	-	16,649
State sources	18,496	-	18,496
Local sources	883	-	883
Charges for services	-	33,296	33,296
Interest income	869	95	964
Rent	1,310	-	1,310
Other	<u>3,210</u>	<u>3,061</u>	<u>6,271</u>
Total Revenues	\$ 54,393	\$ 36,452	\$ 90,845
EXPENDITURES:			
Legislative	1,739	-	1,739
General government	46,663	-	46,663
Public Safety	-	23,211	23,211
Capital Outlay	1,582	-	1,582
Other	<u>9,584</u>	<u>-</u>	<u>9,584</u>
Total Expenditures	\$ <u>59,568</u>	\$ <u>23,211</u>	\$ <u>82,779</u>
Excess Revenues Over (Under) Expenditures	(5,175)	13,241	8,066
FUND BALANCE, APRIL 1, 2003	<u>57,268</u>	<u>6,881</u>	<u>64,149</u>
FUND BALANCE, MARCH 31, 2004	<u>\$ 52,093</u>	<u>\$ 20,122</u>	<u>\$ 72,215</u>

The notes to the financial statements are an integral part of this statement.

CHIPPEWA TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL GENERAL FUND AND SPECIAL REVENUE FUND (CASH BASIS)

Year Ended March 31, 2004

	General		Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES:					
Taxes	\$ 14,356	\$ 12,976	\$ -	\$ -	\$ -
Federal sources	16,800	16,649	-	-	-
State sources	18,793	18,496	-	-	-
Local sources	750	883	-	-	-
Charges for services	-	-	-	-	-
Interest income	1,000	869	35,000	33,296	(1,704)
Rent	1,710	1,310	200	95	(105)
Other	4,120	3,210	-	-	-
			3,900	3,061	(839)
Total Revenues	\$ 57,529	\$ 54,393	\$ 39,100	\$ 36,452	\$ (2,648)
EXPENDITURES:					
Legislative	\$ 1,840	\$ 1,739	\$ -	\$ -	\$ -
General government	48,826	46,663	-	-	-
Public safety	-	-	-	-	-
Capital Outlay	1,600	1,582	24,975	23,211	1,764
Other	10,515	9,584	-	-	-
			-	-	-
Total Expenditures	\$ 62,781	\$ 59,568	\$ 24,975	\$ 23,211	\$ 1,764
Excess Revenues Over (Under) Expenditures	\$ (5,252)	\$ (5,175)	\$ 14,125	\$ 13,241	\$ (884)
FUND BALANCE, APRIL 1, 2003		\$ 57,268		\$ 6,881	
FUND BALANCE, MARCH 31, 2004		\$ 52,093		\$ 20,122	

The notes to the financial statements are an integral part of this statement.

CHIPPEWA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE A - REPORTING ENTITY:

Chippewa Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development and health services.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying criteria set forth by the Governmental Accounting Standards Board (GASB) Statement 14. Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the units significance regarding operational and financial relationships with the Township. Based on the application of this criteria, the financial statements of the Township of Chippewa contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) Fund Accounting - The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

GOVERNMENT FUND TYPES:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects), requiring separate accounting because of legal or regulatory provisions or administrative action. The following special revenue fund is maintained by the Township: Ambulance Fund.

FIDUCIARY FUNDS:

Trust and Agency Funds - These funds are used to account for assets held in trust as an agent for others. The only trust and agency fund maintained by the Township is the Current Tax collection Fund.

CHIPPEWA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

- (2) Basis of Accounting - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Agency Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on the Statement of Assets, Liabilities and Equity (Cash Basis).

Their reported fund balance (net current assets) is considered a measurement of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All Governmental Funds and Agency Funds are accounted for using the cash basis of accounting. This basis is a comprehensive basis of accounting other than generally accepted accounting principles. The financial statements exclude accrual items such as receivables and payables.

Expenditures are generally recognized under the cash basis of accounting when the related cash expenditure is paid or cash receipt is collected.

As allowed by Governmental Accounting Standards Board (GASB) Statement No. 20, the County follows all GASB pronouncements and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

- (3) Budgets and Budgetary Accounting - The Township Clerk/Treasurer prepares and submits a proposed operating budget for the General Fund and Special Revenue Funds to the Board of Trustees for its review and consideration. The Board conducts a public hearing and subsequently adopts the operating budget. The Board approves all budget amendments. The budget is adopted at the functional level and is prepared on the cash basis of accounting (Non GAAP) which is the same basis as the financial statements of the applicable funds. The budget and appropriations lapse at the end of the fiscal year.

CHIPPEWA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

- (4) Property Taxes - The Township property tax is levied each December 1 on the assessed valuation of property located in the Township as of the preceding December 31. Accordingly, these taxes are recorded as revenue in the year commencing April 1. Assessed values are established annually by the County and equalized by the State at an estimated 50% of the current market value. Real property within the Township for the 2003 fiscal year levy was assessed at \$5,188,100 representing 50% of the estimated current market value. The Township's operating tax rate was 1.5899 mills.

In addition to collecting their taxes, the Township also acts as a collection agent for all overlapping governments in the Township. The Township's portion of the tax is collected between December 1 and February 28. Unpaid taxes are subsequently turned over to the County Treasurer for collection. The County maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within approximately two to three months after the delivery of the delinquent bills.

The Township recognizes property taxes as revenue when received. Accordingly, no receivables for delinquent property taxes are reflected in the financial statements.

- (5) Fixed Assets - Fixed assets of governmental funds are normally reported in a "Fixed Assets Group of Accounts". The Township does not maintain detail records of their general fixed assets as required by the cash basis of accounting, and accordingly, an all inclusive General Fixed Assets Account Group is not presented in these financial statements.
- (6) Total Column on Combined Statements - The total column on the Combined Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with the cash basis of accounting. Neither is such data comparable to a consolidation.
- (7) Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHIPPEWA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE C - CASH AND EQUIVALENTS:

The composition of cash and equivalents as reported in the combined balance sheet at March 31, 2004 is summarized below:

		Petty Cash	
		Checking-Money	
		Market	
Cash and Cash		Savings	
Equivalents	\$ <u>74,427</u>		\$ <u>74,427</u>

Deposits:

At year-end, the carrying amount of the Township's deposits was \$74,427 and the bank balance was \$76,347. Of the bank balance, 100%, as covered by federal depository insurance according to FDIC regulations.

These deposits are in three financial institutions located in Chippewa and Mackinac County. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Statutory Authority:

Michigan law (Act 196 PA 1997) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

CHIPPEWA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE C - CASH AND EQUIVALENTS: (Continued)

- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperation's act of 1967, 1967(Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits are in accordance with statutory authority.

NOTE D - CONTINGENT LIABILITIES:

During 2003, the township executed an agreement with the county road commission for road improvements in the amount of \$20,000. To date, \$5,000 has been remitted.

Risk Management - The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

CHIPPEWA TOWNSHIP

**GENERAL FUND
STATEMENT OF ASSETS AND EQUITY (CASH BASIS)**

March 31, 2004

ASSETS:

Cash and equivalents \$ 52,093

TOTAL ASSETS \$ 52,093

FUND EQUITY:

Fund Balance – undesignated 52,093

TOTAL FUND EQUITY \$ 52,093

CHIPPEWA TOWNSHIP

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CASH BASIS)**

Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes	\$ 14,356	\$ 12,976	\$ (1,380)
Federal sources	16,800	16,649	(151)
State sources	18,793	18,496	(297)
Local sources	750	883	133
Interest income	1,000	869	(131)
Rent	1,710	1,310	(400)
Other	<u>4,120</u>	<u>3,210</u>	<u>(910)</u>
Total Revenues	<u>57,529</u>	<u>54,393</u>	<u>(3,136)</u>
EXPENDITURES:			
Legislative:			
Trustees	<u>1,840</u>	<u>1,739</u>	<u>101</u>
General Government:			
Supervisor	2,400	2,390	10
Treasurer	2,580	2,580	-
Clerk	2,400	2,400	-
Election	500	450	50
Constable	1,296	1,296	-
Custodian	1,200	970	230
Assessor	3,525	3,520	5
Public Relations	1,900	1,865	35
Buildings and Grounds	24,325	22,516	1,809
Insurance/Bonds/Fringes	<u>8,700</u>	<u>8,676</u>	<u>24</u>
Total General Government	<u>48,826</u>	<u>46,663</u>	<u>2,163</u>
Other:			
Chippewa County Road Commission	5,000	5,000	-
Other	<u>5,515</u>	<u>4,584</u>	<u>931</u>
Total other expenditures	<u>10,515</u>	<u>9,584</u>	<u>931</u>
Capital Outlay:			
Other	<u>1,600</u>	<u>1,582</u>	<u>18</u>
TOTAL EXPENDITURES	<u>62,781</u>	<u>59,568</u>	<u>3,213</u>
Excess Revenues (Expenditures)	<u>\$ (5,252)</u>	<u>\$ (5,175)</u>	<u>\$ 77</u>
Fund Balance, April 1, 2003		<u>\$ 57,268</u>	
Fund Balance, March 31, 2004		<u>\$ 52,093</u>	

CHIPPEWA TOWNSHIP

**AMBULANCE FUND
STATEMENT OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (CASH BASIS)**

Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Fees and charges for services	\$ 35,000	\$ 33,296	\$ (1,704)
Interest income	200	95	(105)
Other	<u>3,900</u>	<u>3,061</u>	<u>(839)</u>
Total Revenues	<u>\$ 39,100</u>	<u>\$ 36,452</u>	<u>\$ (2,648)</u>
EXPENDITURES:			
Public Safety:			
Salaries	8,400	8,165	235
Repair & Maintenance	750	573	177
Gas, etc.	600	523	77
Insurance collections	500	259	241
Medical supplies	7,000	6,711	289
Ambulance Intercept	6,500	6,075	425
Other	<u>1,225</u>	<u>905</u>	<u>320</u>
Total Public Safety	<u>24,975</u>	<u>23,211</u>	<u>1,764</u>
Excess Revenues (Expenditures)	<u>\$ 14,125</u>	\$ 13,241	<u>\$ (884)</u>
Fund Balance, April 1, 2003		<u>6,881</u>	
Fund Balance, March 31, 2004		<u>\$ 20,122</u>	

CHIPPEWA TOWNSHIP

**CURRENT TAX COLLECTION FUND
STATEMENT OF ASSETS AND LIABILITIES (CASH BASIS)**

March 31, 2004

ASSETS:

Cash and equivalents

\$ 2,212

LIABILITIES:

Due to other governmental units

\$ 2,212

CHIPPEWA TOWNSHIP

**CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

March 31, 2004

	<u>Balance</u> <u>04/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>03/31/04</u>
CURRENT TAX COLLECTION FUND				
ASSETS:				
Cash and equivalents	<u>\$ 36,194</u>	<u>\$ 169,623</u>	<u>\$ 203,605</u>	<u>\$ 2,212</u>
LIABILITIES:				
Due to other governmental units	<u>\$ 36,194</u>	<u>\$ 169,223</u>	<u>\$ 203,605</u>	<u>\$ 2,212</u>



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Members of the Board of Trustees
Township of Chippewa
Chippewa County, Michigan

We have audited the general purpose financial statements of the Chippewa Township for the year ended March 31, 2004, and have issued our reports thereon dated August 30, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with the cash basis of accounting. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Chippewa Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's general purpose financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Comments and Recommendations

Policies

During several discussions with Township Treasurer we found the Township does not have written policies for accounting procedures and a Township disaster recovery plan. It is recommended the Township prepare and adopt written policies for accounting procedures and a disaster recovery plan.

Contractual Services

During the review of Township 1099's, we found that some summer contractors do not sign for their checks, however all other contractors do. It is recommended that a list be prepared for all contractors to sign for their checks instead of just a few.

Conflict of Interest/Competitive Bids

The Township currently has no conflict of interest policy on a competitive bid policy in place. These policies ensure related parties abstain from voting on related issues and allow for competitive pricing on contracts the Township enters into.

Comments and Recommendations (Continued)

Board Minutes

Several board meeting minutes were not available upon request during the course of our audit. We recommend all board minutes be available at the Township in one central location.

Tax Receipts (Repeat 2002)

Tax receipts are all coded to revenue currently, only the township portions should be recorded in revenues. It is recommended that when entering tax receipts, code that deposit against the due to other governmental units account. When depositing the Township portion, code this to current tax revenue.

General Fixed Asset Account Group (Repeat 2002)

Generally accepted accounting principles require that a local unit of government maintain a general fixed asset account group. This is a listing of all fixed assets acquired by the Township. The Township does not maintain a general fixed asset account group. The Township should perform a physical inventory and establish a general fixed asset account group.

New Financial Reporting Model

Governmental Accounting Standards Board (GASB) Statement of Governmental Accounting Standards No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" was recently released. The Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. The GASB developed the new requirements to make annual reports more comprehensive and easier to understand and use. We've highlighted some of the major changes below for your information.

The Statement requires governments to continue to present financial statements that provide information about funds; however, governments will now be required to report information about their most important, or "major" funds. Additionally, governments will be required to continue to provide budgetary comparison information in their annual reports; however, added to that comparison will be the *original* budget.

Also required by the Statement is management's discussion and analysis (referred to as MD&A). by giving readers an objective and easily readable analysis of the government's *financial* performance for the year. This analysis should provide users with the information they need to help them assess whether the government's financial position has improved or deteriorated as a result of the year's operations. The use of account groups, namely the General Fixed Asset Account Group and the General Long-Term Debt Account Group, will be discontinued. Capital assets and long-term debt will be reported with other assets and liabilities of the governmental unit in a required "Statement of Net Assets." Capital assets will now be depreciated with depreciation expense reported in a required "Statement of Activities."

The requirements of this Statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Governments with less than \$10 million in revenues should apply this Statement for periods beginning after June 15, 2003, but earlier application is encouraged.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing any of the above recommendations, please contact us.

This report is intended solely for the information and use of the Township Board, the cognizant audit agencies and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 30, 2004